

## PHARMACY REDESIGN PILOT PROGRAM

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### 1.0. PURPOSE

The Pharmacy Redesign Pilot Program will assess the feasibility and cost of a system-wide pharmacy benefit for Medicare-eligible Military Health System (MHS) beneficiaries who are 65 years of age or older.

### 2.0. BACKGROUND

In June 1998, the General Accounting Office (GAO) testified before the Subcommittee on Military Personnel, Committee on Armed Services, House of Representatives, that over the past several years, concern about the cost and quality of DoD's pharmacy benefit has surfaced. GAO recommended that DoD establish a more system-wide approach to managing its pharmacy benefit by establishing a uniform, incentive-based formulary across its pharmacy programs. Furthermore, GAO recommended that a system-wide pharmacy benefit be granted to Medicare-eligible retirees who are excluded from the contractor retail network and the National Mail Order Pharmacy (NMOP) systems.

In response to the June 1998 GAO report, the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (P.L. 105-261) directed DoD to develop a system-wide pharmacy redesign plan. Section 723 of the Authorization Act called for the redesigned benefit to be implemented in two sites for Medicare-eligible beneficiaries. Consistent with the Authorization Act, it is the DoD's goal to redesign the pharmacy benefit in accordance with "best business practices" utilized in the private sector.

In the past, Medicare-eligible MHS beneficiaries' access to pharmacy benefits has generally been limited to the military treatment facilities (MTFs). It is projected that participation in this pilot program will extend access to network retail and mail order pharmacy benefits for 6,000 MHS beneficiaries who are 65 years of age or older. The pilot program will be implemented at two sites with approximately 3,000 beneficiaries enrolled at each site. To be eligible, potential enrollees must live in designated zip codes.

### 3.0. AREAS OF IMPLEMENTATION

3.1. The following two counties have been selected for implementation of the Pharmacy Redesign Pilot Program:

- Okeechobee, Florida, in TRICARE Region 3.
- Fleming, Kentucky, in TRICARE Region 5.

3.2. To be eligible to enroll and receive the drug benefits under the pilot program, the Medicare-eligible MHS beneficiary must live in a designated zip code in or around the above

counties. [Figure 23-8-1](#) lists the designated zip codes for Okeechobee, Florida, and [Figure 23-8-2](#) lists the designated zip codes for Fleming, Kentucky. The contractor shall not disenroll a beneficiary whose zip code is revised by the Postal Service even if the revised zip code is not listed in [Figure 23-8-1](#) or [Figure 23-8-2](#).

**3.3.** The contractor for TRICARE Region 3 shall be responsible for enrollment (to include collection of enrollment fees) for beneficiaries who live in the designated zip codes in or around Okeechobee, Florida.

**3.4.** The contractor for TRICARE Region 5 shall be responsible for enrollment (to include collection of enrollment fees) for beneficiaries who live in the designated zip codes in or around Fleming, Kentucky.

#### **4.0. ELIGIBILITY**

**4.1.** An individual is eligible to enroll in the Pharmacy Redesign Pilot Program if the individual is a member or former member of the uniformed services described in Section 1074(b) of Title 10, United States Code; a family member of the service member described in Section 1076(a)(2)(B) or 1076(b) of Title 10; or a family member of a service member of the uniformed services who died while on active duty for a period of more than 30 days; who meets all of the following requirements:

**4.1.1.** 65 years of age or older;

**4.1.2.** entitled to Medicare Part A;

**4.1.3.** enrolled in Medicare Part B;

**NOTE:** Paragraph [4.1.3.](#) shall not apply in the case of an individual who at the time of attaining the age of 65 years lived within 100 miles of the catchment area of an MTF. Beneficiaries will be responsible for submitting this documentation to the contractor. For enrollment purposes, the contractor will accept the beneficiary submitted documentation in lieu of a photocopy of the beneficiary's Medicare Part B enrollment card.

**4.1.4.** resides in the designated zip code for this pilot program.

**NOTE:** Eligibility for the Pharmacy Redesign Pilot Program begins when TRICARE eligibility ends at 12:01 a.m. on the last day of the month preceding the month of attainment of age 65.

**4.2.** Pharmacy Redesign Pilot Program enrollees shall be identified in the Defense Enrollment and Eligibility Reporting System (DEERS) by a Pharmacy Indicator of "R" in the Pharm/BRAC field.

#### **5.0. POLICY**

**5.1.** To receive drug benefits under the Pharmacy Redesign Pilot Program, an eligible MHS beneficiary is required to enroll in the program. The annual enrollment fee for a beneficiary will be as determined by TMA. See [paragraph 7.0.](#) below.

**5.2.** The contractors shall determine from the DEERS indicator “R” if the beneficiary is eligible for drug benefits under the Pharmacy Redesign Pilot Program.

**5.3.** Under the pilot program, the benefit will be comprised of prescription drugs from any TRICARE retail network pharmacy and the National Mail Order Pharmacy (NMOP). Claims from non-network pharmacies shall be denied. The prescription drug claims will be covered and reimbursed in accordance with the applicable sections of the Policy Manual and the Operations Manual subject to the provisions of this pilot program. The contractor shall use any rates or discounts negotiated with the network pharmacy for the reimbursement of these claims.

**5.4.** The TRICARE retail network pharmacies shall dispense prescriptions in accordance with the [Policy Manual, Chapter 7, Section 7.1](#). The beneficiary cost-share shall be 20% of the allowable charge, and there shall be no deductible applied or credited to a catastrophic cap.

**5.5.** The eligible beneficiaries shall have access to NMOP where quantities up to a 90 day supply will be dispensed for a flat fee of eight dollars for each prescription.

**NOTE:** The Defense Supply Center Philadelphia (DSCP) is the government contracting activity for the NMOP program. DSCP will design, develop and administer all NMOP contract modifications to facilitate prescriptions being filled for this pilot program.

**5.6.** The Pharmacy Redesign Pilot Program will not be primary payer for pharmacy benefits for eligible beneficiaries with other health insurance (OHI). A beneficiary who has pharmacy coverage through OHI cannot use the NMOP, but will be able to use the retail network pharmacies. However, they may use NMOP if they provide an explanation of benefits (EOB) detailing their plan will not cover the item and it is covered under NMOP.

**5.7.** The Health Care Service Records (HCSRs) shall be reported using the Special Processing Code “PD”, Pharmacy Redesign Pilot Program, in accordance with current contract requirements for not-at-risk funds. Also, see [paragraph 8.0.](#), below.

**5.8.** Appeals shall be processed in accordance with [Chapter 13](#).

**5.9.** For each claim processed, the Explanation of Benefits (EOB)/Summary Voucher shall have a message stating, “This claim is for a Medicare, not a TRICARE eligible beneficiary.” For each claim denied based on eligibility, the EOB shall have a message stating, “Eligibility for Pharmacy Redesign Pilot Program benefit not established. Contact DEERS Support Office for assistance.”

**5.10.** The TMA, Lead Agents, MTFs, and contractor will partake in a marketing effort to ensure that the eligible beneficiaries are knowledgeable of the pilot program. The contractor shall publicize the Pharmacy Redesign Pilot Program and its benefits in their regular bulletins/newsletters, including information to military retiree associations and pharmacies. Also, see [paragraph 6.0.](#), below.

**5.11.** Normal records retention provisions will apply to the pilot program claims.

## **6.0. MARKETING**

**6.1.** Defense Manpower Data Center DEERS Support Office (DMDC DSO) shall issue a list of potential eligible beneficiaries to the contractor.

**6.2.** The marketing materials (i.e., public notices, flyers, informational brochures, etc.) will be developed and printed centrally by DoD, TMA, Office of Communications and Customer Service. The contractor shall distribute all documents associated with the TRICARE Pharmacy Redesign Pilot Program. The contractor shall begin marketing activities, such as, flyers, local installation newspaper articles, public announcements, and direct mailings to eligible beneficiaries 45 days prior to the start of enrollment for the pilot program.

**6.3.** TMA shall coordinate the development of the enrollment form with the contractor. The contractor shall not release enrollment applications until the first day of marketing.

**6.4.** The contractor shall develop, print, and provide to each enrollee a directory that identifies all retail network pharmacies located in the pilot program area. The contractor shall update the directories in accordance with current contract requirements. The contractor shall also provide to enrollees all brochures and information available on the National Mail Order Pharmacy (NMOP) benefit.

## **7.0. ENROLLMENT**

### **7.1. Enrollment Process**

**7.1.1.** The enrollment date shall be 30 days prior to the start of health care delivery. The contractor shall provide a written enrollment plan to the Lead Agent (with a copy to the COR) for approval no later than 60 days prior to the start of enrollment. Feedback will be provided no later than 15 days following submission of the plan. The contractor shall establish an enrollment process that provides a fair and equitable opportunity for beneficiaries to obtain information about the TRICARE Pharmacy Redesign pilot program and provides an opportunity for them to submit applications. This process shall include the following activities at a minimum:

**7.1.1.1.** The contractor shall distribute enrollment packages to all Medicare eligible beneficiaries in the pilot program zip codes, the TRICARE Service Center, and other sites as agreed upon by the contractor and Lead Agent, no earlier than the first day of marketing. The contractor shall also mail enrollment packages to beneficiaries who request them by telephone. The contractor shall provide in the enrollment application package a preaddressed return envelope with the contractor's address.

**7.1.1.2.** The contractor shall provide telephone lines and adequate numbers of trained staff at the TRICARE Service Center to review applications, provide assistance completing applications, provide applications by mail if requested, schedule appointments and conduct face-to-face interviews, if requested by the beneficiary. The contractor shall meet all established contract requirements and performance standards for the TRICARE Service Center and telephone service unit.

**7.1.1.3.** The contractor shall produce enrollee identification cards. The card must have the program name TRICARE Pharmacy Program and will be in consonance with the National Council on Prescription Drug Programs (NCPDP) specifications.

**7.1.2.** The contractor shall begin processing enrollment applications 30 days prior to the enrollment date of the TRICARE Pharmacy Redesign Pilot Program.

**7.1.2.1.** Enrollment applications shall be accepted by mail only. The beneficiary shall return the completed enrollment application along with a photocopy of their Medicare Part B enrollment card, and payment for the enrollment fee.

**7.1.2.2.** Enrollment periods shall begin on the first day of the month following the month in which the enrollment application and enrollment fee are received by the contractor. If an application and fee are received after the 20th day of the month, the enrollment date will be on the first day of the second month after the month in which the contractor received the application and enrollment fee.

**7.1.2.3.** The contractor shall date stamp all applications with the date of receipt. The contractor shall accept the enrollment fee of \$200 per person/per year from each beneficiary. The enrollment fee shall be collected and paid in accordance with [Chapter 6, Section 1, paragraph 5.8](#). The exception being, that only semi-annual or annual payments shall be accepted due to the low enrollment fee. The enrollee shall select the method for paying the enrollment fee with the initial enrollment application. The contractor may use at their discretion electronic funds transfer as a method of receiving payment. Contractors shall revalidate DEERS eligibility (including checks for residence and notifications) upon payment of consequent enrollment fees.

**7.1.2.4.** In order of receipt, the contractor shall verify all information through Defense Enrollment and Eligibility Reporting System (DEERS). Once the beneficiary is validated as being eligible, the contractor shall approve the application and send an electronic notification of the approved application to the DMDC DSO. The contractor shall electronically transfer approved applications on a daily basis to DSO, with the last submission for the month being on the 20th of the month. The contractor shall indicate on the transfer document header the date of approval of the attached applications along with the effective date. DMDC DSO will have 24 hours during the normal work week to process all applications. On the date of application approval, the contractor shall send an enrollment confirmation letter (or card) to the beneficiary. The contractor will record the beneficiary's date of enrollment and enrollment period expiration date.

**7.1.2.5.** The contractor shall provide the enrollee with written confirmation of the enrollment effective date, expiration date, an enrollment card and applicable enrollment materials.

**7.1.3.** If the beneficiary is not eligible through DEERS, the beneficiary will receive a denial letter of explanation along with the beneficiary's original payment.

**7.1.4.** The DMDC DSO will identify the enrollment into DEERS by use of a Pharmacy Indicator of "R" in the Pharm/BRAC field.

**7.1.5.** The contractor shall send a continuous enrollment notification to the enrollee 60 days prior to the enrollment period expiration date. If the enrollee does not request continuous enrollment within 30 days of this notification, the contractor shall send the enrollee a reminder notice.

**7.1.5.1.** To continue enrollment, the enrollee must return a signed copy of the continuous enrollment form, a photocopy of their Medicare Part B enrollment card, and payment of the enrollment fee prior to the enrollment period expiration date.

**7.1.5.2.** Upon receipt of the above documentation and payment of the enrollment fee, the contractor shall revalidate eligibility through DEERS. The contractor shall send the enrollee an enrollment confirmation letter indicating the new enrollment period expiration date. Notification will not be sent to the DMDC DSO because the enrollment will remain continuous. If the beneficiary is not eligible through DEERS, disenrollment shall be processed in accordance with [paragraph 7.3](#).

## **7.2. Aging In**

**7.2.1.** A beneficiary may request pre-enrollment two months prior to reaching 65 years of age, as long as the beneficiary is enrolled in Medicare Part B, and has a permanent address within a designated zip code. The contractor will accept the enrollment application, photocopy of the Medicare Part B enrollment card, and enrollment fee payment (semi-annual or annual payment) for a beneficiary requesting pre-enrollment. The contractor will hold the approved applications in a suspense file until the appropriate date to forward to DMDC DSO. The appropriate date will be between the first and the 20th of the month preceding the month the beneficiary becomes eligible. TRICARE eligibility ends at 12:01 a.m. on the last day of the month preceding the month of attainment of age 65. Therefore, the enrollment period start date of a pre-enrolled beneficiary will begin the first day of the month following the month that TRICARE eligibility ends. The contractor will send an electronic notification of the approved application to the DMDC DSO indicating the appropriate date of enrollment for each beneficiary. An enrollment confirmation letter will be sent to the beneficiary explaining that pharmacy benefits will not be available until the date of enrollment.

**7.2.2.** All other enrollment requirements shall apply as stated in [paragraph 7.1](#).

## **7.3. Disenrollment Process**

**7.3.1.** An enrollee may disenroll at any time by submitting a written request to the contractor, however, with the exception stated in [paragraph 7.3.3](#), the enrollment fee will not be refunded. The contractor shall notify the beneficiary that the DMDC DSO will be notified to disenroll them, and that within 24 hours of receipt of the notification by DMDC DSO, the beneficiary will be officially disenrolled.

**7.3.2.** An enrollee shall be involuntarily disenrolled for:

- Not returning a signed copy of the continuous enrollment form, a photocopy of the Medicare Part B enrollment card and the enrollment fee payment prior to the enrollment period expiration,
- Not maintaining Medicare Part B eligibility,



- Permanent change of address outside an implementation area,
- Verification of the beneficiary's death.

**7.3.3.** When an enrollee has a permanent change of address, the enrollee shall notify the contractor. The contractor shall then notify DMDC DSO to disenroll the beneficiary effective with the date the notice is received by DMDC DSO. The contractor shall issue a prorated refund based on the remaining number of full months of enrollment to the enrollee.

**7.3.4.** An enrollee who disenrolls or is disenrolled involuntarily may request re-enrollment at any time. The enrollment shall be processed in accordance with [paragraph 7.1](#).

**7.3.5.** When a beneficiary is disenrolled the contractor shall send an electronic copy of the disenrollment notification letter to DMDC DSO.

#### **7.4. Enrollment/Disenrollment Reconciliation**

The contractor in coordination with DMDC/DEERS will perform an annual enrollment/disenrollment reconciliation. The results of this reconciliation will be reported to the Lead Agent (with a copy to the COR). Any discrepancies identified will be corrected immediately.

#### **7.5. Benefit Portability**

Enrollees retain coverage when they temporarily move (less than 12 months) or travel outside the pilot program site. When an enrollee permanently moves outside a pilot program site, the enrollee will be disenrolled from the pilot program.

#### **8.0. PAYMENT FOR CLAIMS**

**8.1.** The contractor shall not be financially at-risk for payment of the Pharmacy Redesign Pilot Program claims. The contractor shall report these claims on separate vouchers according to [Chapter 3](#). To distinguish a Pharmacy Redesign Pilot Program voucher from a voucher for other TRICARE programs, the contractor shall utilize the specific Voucher Branch of Service Codes mandated in the ADP Manual for use in reporting such claims. The contractor shall process payments via Letter of Credit on a not-at-risk basis for the health care costs incurred for each Pharmacy Redesign Pilot Program claim processed to completion according to the provisions of [Chapter 3](#).

**8.2.** The contractor shall provide the capability to provide pro-rated refunds to enrollees who disenroll because of a permanent change of address outside the demonstration area.

**8.3.** The contractor shall send the collected enrollment fees and a matching electronic report to TMA-Aurora on a monthly basis. The report shall include premium payment amounts by enrollee/SSAN/period of time and pro-rated refund debit amounts by enrollee/SSAN/period of time. The contractor shall transfer funds as directed by TMA-Aurora.

## **9.0. REPORTING REQUIREMENTS**

The contractor shall provide monthly reports to the Director, DoD Pharmacy Programs, TRICARE Management Activity, Skyline 5, Suite 810, 5111 Leesburg Pike, Falls Church, VA 22041-3201, with copies of reports to the Contracting Officer Representatives. The monthly reports shall be submitted by the contractor by the 10th of the month for the preceding reporting month. The reports shall include the following:

- Number of patients treated broken down by Sponsor and Family Member
- Number of prescriptions filled
- Total dollar costs for prescriptions
- YTD Number of patients treated broken down by Sponsor and Family Member
- YTD Number of prescriptions filled
- YTD Total dollar costs for prescriptions
- Number of new enrollees
- Number of disenrollees.

## **10.0. EVALUATION**

**10.1.** Section 723 of the FY99 Defense Authorization Act requires an evaluation of the implementation of the redesign of the pharmacy system by an appropriate person or entity that is independent of the Department of Defense with subsequent reports of the evaluation to be submitted by DoD to the Congress on December 31, 2000, and December 31, 2002. The Health Program Analysis & Evaluation (HPA&E) Directorate, TMA, shall arrange for evaluation of the Pharmacy Redesign Pilot Program. The HPA&E in coordination with the Health Services & Operations Support, Military Health System Operations Directorate, will submit the evaluation reports to Congress. Specifically, the evaluation shall include:

- An analysis of the costs of the implementation of the redesign of the pharmacy system under TRICARE and to the eligible individuals who participate in the system.
- An assessment of the extent to which the implementation of such system satisfies the requirements of the eligible individuals for the health care services available under TRICARE.
- An assessment of the effect, if any, of the implementation of the system on military medical readiness.
- A description of the rate of the participation in the system of the individuals who were eligible to participate.
- An evaluation of any other matters that the DoD considers appropriate.

**10.2.** The contractor shall not be responsible for evaluation of the pilot program. However, the contractor may be required to produce the enrollment, claims and costs data reports to assist in the evaluation of the Pharmacy Redesign Pilot Program.



**11.0. CONTRACTOR TRANSITIONS**

All transition requirements as defined in [Chapter 1, Section 8](#) apply.

**12.0. EFFECTIVE DATES**

**12.1.** Enrollment in the Pharmacy Redesign Pilot Program shall begin no later than June 1, 2000.

**12.2.** Drug benefit under the Pharmacy Redesign Pilot Program shall begin on July 1, 2000.

**12.3.** *Pharmaceutical care under the Pharmacy Redesign Pilot Program will terminate upon implementation of the TRICARE Senior Pharmacy Program, April 1, 2001.*

**13.0. BENEFIT TERMINATION INSTRUCTIONS**

**13.1.** *Contractors will notify enrolled beneficiaries that the program will terminate. The notice shall include information regarding implementation of the TRICARE Senior Pharmacy Program and inform the beneficiaries that they are eligible to participate. The notice shall further inform the beneficiaries that their enrollment premiums will be refunded by the TRICARE Management Activity on a pro-rated basis.*

**13.2.** *Contractors shall provide a listing of enrolled beneficiaries with name, SSN for each enrolled beneficiary, address, enrollment premium period, date of last premium payment, and pro-rated amount to be refunded to the beneficiary. The list shall be provided to TMR-RM after the contractor has received the last premium payment due prior to April 1, 2001.*

**FIGURE 23-8-1 PHARMACY REDESIGN PILOT PROGRAM ZIP CODES FOR OKEECHOBEE, FLORIDA**

33438	33439	33455	33458	33468	33469	33471	33475
33478	33930	33935	33944	33960	33975	34739	34945
34946	34947	34948	34949	34950	34951	34952	34953
34954	34956	34957	34958	34972	34973	34974	34979
34981	34982	34983	34984	34985	34986	34987	34988
34990	34991	34992	34994	34995	34996	34997	

**FIGURE 23-8-2 PHARMACY REDESIGN PILOT PROGRAM ZIP CODES FOR FLEMING, KENTUCKY**

33438	33439	33455	33458	33468	33469	33471	33475
33478	33930	33935	33944	33960	33975	34739	34945
34946	34947	34948	34949	34950	34951	34952	34953
34954	34956	34957	34958	34972	34973	34974	34979
34981	34982	34983	34984	34985	34986	34987	34988
34990	34991	34992	34994	34995	34996	34997	40979
40983	41002	41004	41034	41041	41043	41044	41049
41055	41056	41062	41065	41081	41093	41096	41101
41102	41105	41114	41121	41124	41127	41128	41129
41132	41135	41137	41139	41141	41142	41143	41144
41146	41149	41150	41156	41159	41160	41164	41166
41168	41169	41170	41171	41173	41174	41175	41179
41180	41181	41183	41189	41201	41230	41232	41264
41301	41307	41310	41311	41313	41314	41317	41332
41333	41338	41339	41342	41344	41347	41348	41351
41352	41360	41362	41364	41365	41366	41368	41377
41385	41386	41390	41397	41408	41410	41413	41419
41421	41422	41425	41426	41427	41433	41444	41451
41452	41459	41464	41465	41472	41477	41632	41714
41730	41749	41762	41764	41766	41775	41776	41777
42501	42502	42503	42518	42519	42533	42544	42553
42558	42564	42567	42642	43101	43102	43107	43111
43127	43135	43138	43144	43149	43152	43155	43156
43158	43728	43731	43756	43758	43766	43787	45105
45144	45601	45612	45613	45614	45616	45617	45618
45619	45620	45621	45622	45623	45624	45629	45630
45631	45634	45636	45638	45640	45642	45643	45645
45646	45647	45648	45650	45651	45652	45653	45654
45656	45657	45658	45659	45660	45661	45662	45663
45669	45671	45672	45673	45674	45675	45677	45678
45679	45680	45682	45683	45684	45685	45686	45688
45690	45692	45693	45694	45695	45696	45697	45698
45699	45701	45710	45711	45715	45716	45719	45720
45723	45732	45735	45739	45740	45741	45743	45760
45761	45764	45766	45769	45770	45771	45772	45775
45776	45777	45778	45779	45780	45781	45782	45783
45786	45787						

